



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt resolution authorizing the City Manager or his designee to execute a Project Development Agreement to fund due diligence assessments associated with the Resource 500 generation project (not to exceed \$61,875) (EUD)

MEETING DATE: December 21, 2005

PREPARED BY: Interim Electric Utility Director

RECOMMENDED ACTION: That the City Council adopt a resolution authorizing the City Manager or his/her designee to execute the Resource 500 Development Agreement with the Central Valley Project Corporation, or its assignee, in substantially the form on file with the City Clerk with such changes, insertions and omissions as may be approved by the official executing the Agreement and the City Attorney and authorize the City Manager and/or his designee to approve any changes in the Resource 500 Project Development Budget up to 10% without further consideration by the City Council.

BACKGROUND INFORMATION: *Resource 500 Project*

The Central Valley Project Corporation (CVP Corp)¹ is in final negotiations to purchase a 500 MW gas fired, combined cycle power plant located in Northern California. This plant has been built with the latest technology and was constructed only five years ago.

This plant has an excellent heat rate (approximately 7000), which is the primary measure of plant efficiency, and preliminary due diligence indicates that the expected price of power from the plant will be very competitive with other options available in today's energy market in California. CVP Corp is offering to public power entities an opportunity to participate in the ownership of the plant through firm purchase power agreements and has provided summary materials to interested parties to determine if this project would be an appropriate addition to their resource portfolios.

Upon reviewing the materials and consideration of the current power needs of Lodi Electric, staff has concluded that this proposed project fits well into its electric resource portfolio. This plant will provide diversity of location and its efficiency will provide the City of Lodi with a resource that is more economic than building a substantially smaller plant locally or contracting with for-profit marketers for a similar type product.

Lodi Electric's Need

Lodi Electric has a need for approximately 30 average megawatts of capacity in 2007, increasing to 38 average megawatts of capacity by 2013. This average value reflects the fact that in some months, Lodi

¹ The CVP Corp is a non-profit corporation, incorporated in 2003, primarily to support programs and projects that benefit CVP customers and maximize the value of the Central Valley Project power Contracts. The CVP board currently consists of representatives from NCPA, SMUD and the city of Redding.

APPROVED:

A handwritten signature in black ink, appearing to read "Blair King".

Blair King, City Manager

requires as little as 24 megawatts of capacity and in others, Lodi requires as much as 50 megawatts of capacity. Attachments 1 and 2 depict this need graphically and in tabular format.

There are two projects that are currently under consideration that Lodi has an opportunity to participate in to fulfill its 30 average megawatt need. The first project is the resource 500 project which is the subject of this communication and the second project is the Lodi White Slough Project. Details and participation agreements associated with the White Slough project will be brought to the City Council for approval in subsequent meetings.

A diagram depicting the options and costs of the various alternatives available to Lodi is attached as Attachment 3. This diagram helps to break down some of the decisions, costs and options that are available to potential plant participants as they consider which projects to participate in. The Resource 500 project is approximately represented by the FRAME 2x1 project depicted in Attachment 3. Participation in both projects will diversify Lodi's investments, allowing Lodi to spread plant risk between the two plants such that a catastrophic failure or maintenance outages would not subject Lodi's portfolio to dramatic price swings associated with a large portion of the portfolio being invested in a single plant.

Staff has requested a preliminary non-binding participation level of 25 MW in the Resource 500 project in the event Council wanted to participate in this project at this higher level, but recommends that City Council approve a binding participation level in the Resource 500 Project for a share of up to 15 MW.

Development Agreement and Confidentiality Agreement with CVP Corp

Further due diligence work on the project by an independent engineering firm, negotiation of final terms of the agreement with the seller, and preparation of project agreements must be funded by all of the interested project participants under a Project Development Agreement. In order to participate in this project, Lodi will be required to pay for its proportionate share of these Development Work costs and sign a Project Development Agreement and associated Confidentiality Agreement with CVP Corp.

The Project Development Agreement:

- Defines the scope of the development work and establishes the budget for the work;
- Forms a Development Committee to make recommendations about the project budget, timeline and project agreements to the CVP Corp Board; and
- Outlines the process by which each participant will determine whether to participate in the project.

Costs for the Development Work will not exceed \$3,750 per MW. Total cost to Lodi based on a maximum participation level of 15 MW will be \$56,250.

Project Timeline and Power Sales Agreement

The negotiations for purchase of the project are expected to take approximately four months, at which time a final decision to participate in the project will be made by each of the Project Development Participants. Final participation will require execution of a long-term Power Sales Agreement which will be brought back to the City Council after due diligence work under the Development Agreement and final negotiations with the seller are completed. To assist in the financing process, this project is expected to be transferred to a joint powers agency, the Sierra Nevada Electric Power Authority (SNEPA). Therefore, the final Power Sales Agreement (PSA) will be executed with SNEPA. This agreement is a 30-year take-or-pay contract and will be used as the basis for obtaining funding to purchase the project. City Council approval of the Power Sales Agreement is expected in first quarter 2006. It is expected that the financing process will take several months after PSA's are signed, and the current timeline anticipates that project

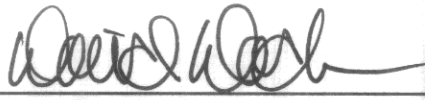
ownership will be transferred by June 2006 at which time energy will be available for each Resource 500 Project Participant.

FISCAL IMPACT: Lodi's share of the proposed Project Development Work costs for the Resource 500 Project should not exceed \$56,250. Adequate funds are available in the 2005-06 operating budget in account number 160642.

Upon purchase of the project, capital costs may be financed through the Sierra Nevada Electric Power Authority, a joint action agency formed specifically to finance this project and secured by a take or pay Power Sales Agreement, paid with cash on hand in the Utility Reserves or be financed with the issuance of Electric Revenue bonds by Lodi. Final recommendation as to the financing method will be brought to the City Council in conjunction with the PSA mentioned above.

FUNDING: 2005-06 Bulk Power Budget 160642


James R. Krueger, Finance Director

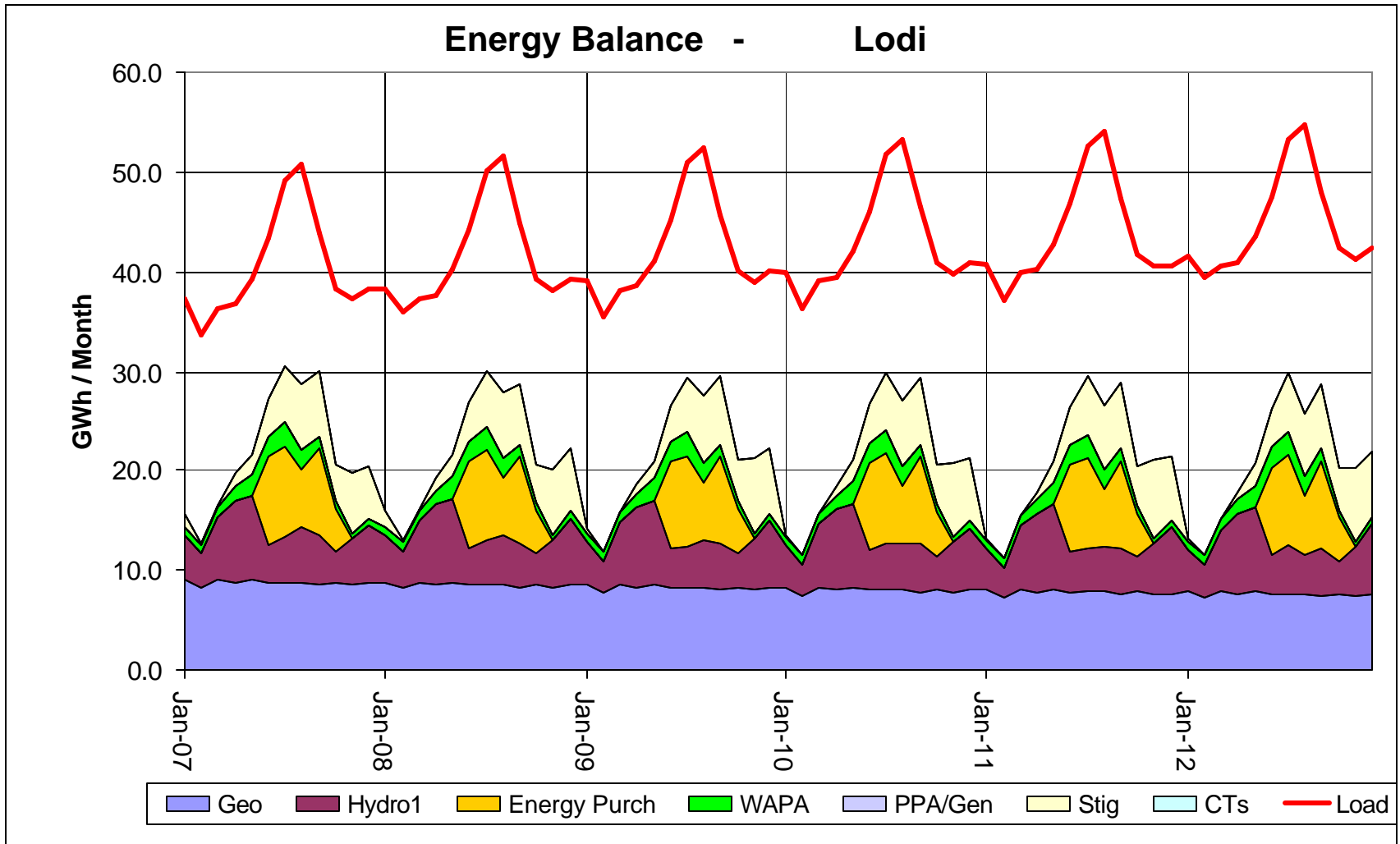

David Dockham
Interim Electric Utility Director

DD/lt

Attachments

cc: City Attorney

Attachment 1A



Attachment 1B

Supply Sources

Lodi

Supply Sources - GWH

Sum of Value	Year						
Child Name	2007	2008	2009	2010	2011	2012	2013
CT1_AL1							
CT1_AL2							
CT1_LD							
CT1_RO1			0.0			0.0	
CT1_RO2			0.0			0.0	
STIG	42.6	44.2	44.2	44.2	44.1	44.2	44.2
Geo	105.0	102.2	98.9	96.0	93.1	91.1	88.4
Collierville Gen	60.9	61.1	60.9	60.9	60.9	61.1	60.9
NSM Gen	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Western BR	16.4	16.4	16.4	16.4	16.4	16.4	16.4
SCL_Supply	36.6	36.6	36.6	36.6	36.6	36.6	36.6
Grand Total	285.1	262.3	258.9	255.9	252.9	251.2	248.4

Attachment 2A

Need Summary

Physical and Green Energy Need Summary					aMW			
		2007	2008	2009	2010	2011	2012	2013
Lodi	Green	0	0	0	0	0	0	0
	Physical	30.9	32.5	33.8	35.4	35.9	37.3	38.3
Green = Renewable energy needed to get to 20% of Fcstd Enr Ld								
Physical = Annual energy need net of surplus and need, expressed as an average MW								

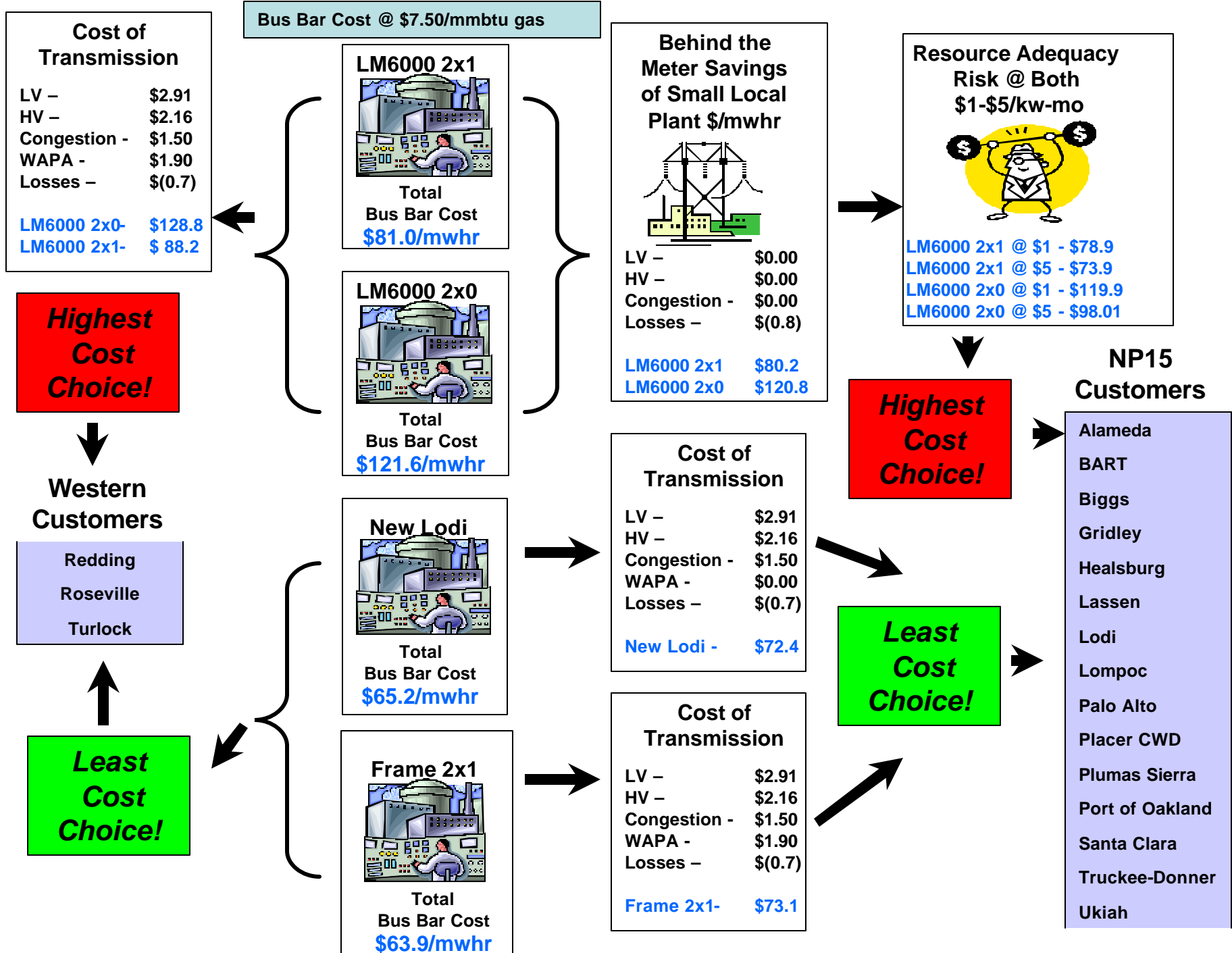
Option Summary

	Timing	Fuel	Ht Rt	Size (MW)	Behind Ld Meter	Control System
Resource 500	2006	Natural Gas	7,000	500	No	WAPA
Lodi Unit #2	2009	Natural Gas	7,000	200	Possible	WAPA / ISO
NCPA Green Power Project	2006+	Renewable	NA	1 - 150	May Vary	May Vary
Los Esteros	2006	Natural Gas	10,000	90	Possible	ISO
Los Esteros (Converted)	2009	Natural Gas	8000	150	Possible	ISO

Attachment 2B

Net Energy Balance Summary

2008	Q1	Q2	Q3	Q4
HLH - aMW	-43.36	-24.98	-23.94	-29.34
LLH - aMW	-44.44	-26.90	-31.27	-35.91
Pk - MW	3.93	1.60	-8.10	9.90
2010	Q1	Q2	Q3	Q4
HLH - aMW	-47.94	-28.14	-25.83	-31.48
LLH - aMW	-46.98	-29.85	-34.29	-38.61
Pk - MW	-1.00	-6.33	-13.83	5.03
2012	Q1	Q2	Q3	Q4
HLH - aMW	-49.76	-30.30	-30.04	-33.54
LLH - aMW	-48.68	-31.82	-34.74	-39.76
Pk - MW	-5.70	-10.73	-17.07	0.37



AGREEMENT
FOR
FINANCING OF DEVELOPMENT ACTIVITIES FOR
PURCHASE OF RESOURCE 500 PROJECT

Dated as of December ____, 2005

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**AGREEMENT
FOR
FINANCING OF DEVELOPMENT ACTIVITIES FOR
PURCHASE OF RESOURCE 500 PROJECT**

This Agreement, dated as of _____, 2005, by and among Central Valley Project Corporation, a California nonprofit public benefit corporation, ("CVP Corp"), and each of the entities which execute this Agreement (the "Development Participants" or individually "Development Participant"),

WITNESS:

WHEREAS, CVP Corp has the opportunity to purchase a 500 MW gas-fired power plant in Northern California, together with related facilities and equipment, commonly referred to as the Resource 500 Project (the "Project"); and

WHEREAS, the Development Participants have indicated a preliminary interest in possibly acquiring capacity and energy of the Project from CVP Corp, subject to the closing of the sale of the Project; and

WHEREAS, it is anticipated that CVP Corp will assign or transfer its rights and obligations with respect to the purchase of the Project and the Project agreements to a new joint powers agency of the State of California called Sierra Nevada Electric Power Authority ("SNEPA") prior to expiration of this Agreement; and

WHEREAS, upon such assignment references herein to CVP Corp shall refer to SNEPA; and

WHEREAS, the Development Participants have agreed to advance funds to CVP Corp in order to permit CVP Corp to undertake the due diligence and Project agreement preparation necessary to permit CVP Corp to purchase the Project (as more fully set forth in Section 3, the "Development Work"); and

WHEREAS, CVP Corp desires to undertake the Development Work, to make the information and documents produced by the Development Work available to the Development Participants, and to provide an option to each Development Participant not in default hereunder an opportunity to acquire right to the capacity and energy of the Project (subject to CVP Corp's acquisition of the Project), all on the terms and conditions set forth herein; and

WHEREAS, the current estimate of the cost of the Development Work is \$1,575,000; and

WHEREAS, the Development Participants desire to have access to the Development Work in order to determine whether to enter into an agreement to acquire a portion of the capacity and energy of the Project and obtain the right to subscribe to a portion of the capacity and energy of the Project if the Project is acquired by CVP Corp; and

WHEREAS, the subscription to a portion of the capacity and energy of the Project by a Development Participant will be accomplished by such Development

Participant entering into a "take-or-pay", power sales agreement (a "Power Sales Agreement") with CVP Corp, the terms of which will be developed as a Project agreement included in the Development Work; and

WHEREAS, to acquire the aforementioned access to information and documents and the right to subscribe to a portion of the capacity and energy of the Project, the Development Participants are willing to make cash advances as herein provided which advances will be used to pay the costs of the Development Work; and

WHEREAS, the advances of the Development Participants will be reimbursed only on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto agree as follows:

Section 1. Prior Development Work. (a) The Sacramento Municipal Utilities District ("SMUD"), the City of Redding Electric Utility ("Redding") and the Northern California Power Agency ("NCPA") have made advances to CVP Corp of \$100,000 to fund the initial study and due diligence costs related to the purchase of the Project. These entities shall be reimbursed for these advances in accordance with Section 9 of this Agreement.

(b) In addition, CVP Corp, SMUD, Redding and NCPA and the Development Participants may incur significant staff time in the performance of future Development Work in lieu of hiring outside consultants. Development Participants agree that reasonable staff costs associated with Development Work shall be reimbursed as provided in Section 9 of this Agreement. It is understood that these internal costs will not be reimbursed if CVP Corp does not complete the purchase of the Project for any reason, including but not limited to the inability to finance the cost of purchasing the Project. It is further understood by the Development Participants that the successful financing of CVP Corp's purchase of the Project is dependent, in large part, upon credit worthy entities entering into the Power Sales Agreement for all of the capacity and energy of the Project.

(c) Development Work shall not include the activities of the Development Committee (as hereinafter defined) for which all Development Participants will incur internal staff costs. Such activities shall include, but not be limited to, review of Development Work and Development Work product, preparation and attendance at Development Committee meetings, and negotiations with other Development Participants.

Section 2. Confidentiality Agreement. Because of the sensitive nature of negotiations with the seller of the Project, each Development Participant shall, concurrently with its execution and delivery of this Agreement, deliver a Confidentiality Agreement in the form of Exhibit A attached hereto.

Section 3. Development Work. CVP Corp agrees to undertake and perform the Development Work, to take into consideration the recommendations of the Development Committee with respect to the Development Work and to make all reports,

recommendations and information resulting from the Development Work available to the Development Committee for distribution to the Development Participants.

The Development Work to be undertaken by the CVP Corp pursuant to this Agreement shall include all activities determined to be necessary or desirable by CVP Corp in connection with the performance of due diligence for the purchase of the Project and the preparation of Project agreements including the form of the Power Sales Agreement and the contract of purchase for the Project (the "Purchase Agreement"). The initial Development Work budget and schedule set forth in Exhibits B and C of this Agreement are examples of the types of activities contemplated as Development Work. These activities may be modified or revised from time to time by CVP Corp after consideration of any recommendations made by the Development Committee and are provided as examples only. Without limiting the generality of the foregoing, the Development Work shall include:

1. previous activities for due diligence and other studies or activities expended by parties specified in Section 1 of this Agreement,
2. all activities necessary or advisable to maintain milestone completion dates, including incurring costs to facilitate the timely purchase of the Project and related rights and services,
3. the development of a definitive budget and schedule for the purchase of the Project,
4. the development of a definitive budget and schedule for the initial operation of the Project after acquisition by CVP Corp, including working capital, fuel requirements and reserves,
5. obtaining necessary permits and approvals for the purchase and operation of the Project,
6. performance of engineering due diligence reviews related to the Project,
7. the preparation and negotiation of definitive Project agreements, including the Power Sales Agreement and the Purchase Agreement,
8. legal, financial advisory and tax support services, including bond counsel consultation,
9. administrative support, fiscal management, invoicing and related services necessary or desirable in connection with this Agreement and the Development Work and
10. the performance of all other activities related to the acquisition, permitting, operation and financing of the Project as determined by CVP Corp which are consistent with the intent of this Agreement.

Performance of the above activities may be conducted by Development Participant internal staff, outside consultants or others. It is expected that reasonable internal staff work expended on Development Work that could be performed by an outside consultant will be accumulated and billed to the Project, along with applicable overheads. These costs are subject to reimbursement only as provided in Section 9.

Section 4. Organization of the Development Committee. In order to permit the Development Participants to make recommendations to CVP Corp with respect to the scope, performance, management and direction of the Development Work, and to secure the effective cooperation and interchange of information among the Development Participants in connection with various administrative, technical, legal, contractual and other matters that may arise from time to time in connection with the Development Work, a committee of Development Participants (the "Development Committee") is hereby established under this Agreement. The Development Committee shall consist of representatives appointed by the Development Participants as provided in Section 4.1.

Section 4.1 Participation Entitlements; Representatives; Chair. (a) One purpose of this Agreement is to provide each Development Participant the option, at its election and in its sole discretion, to participate in the Project by executing a Power Sales Agreement with SNEPA pursuant to which the Development Participant will be entitled to a portion of the capacity and energy of the Project if CVP Corp is successful in acquiring the Project. For purposes of this Agreement, a Development Participant's participation in the Project will consist of its Participation Entitlement (as defined below) and any additional participation which the Development Participant elects to include in a Power Sales Agreement (or a supplement thereto) as a result of other Development Participants not electing to participate in the Project or electing to participate at less than the full amount of their Participation Entitlement.

Each Development Participant's Participation Entitlement may be expressed as a percentage (the "Participation Entitlement Percentage") of one hundred percent and/or a number of megawatts of capacity of the Project. A Development Participant's Participation Entitlement Percentage shall equal that percentage which its commitment (which is not in default) to make cash advances to the Working Capital Fund (as hereinafter defined), exclusive of any interest paid on delinquent advances, bears to the sum of the budget for Development Work (the "Development Work Budget") which is currently set at \$1,575,000. A Development Participant's participation in the Project expressed in megawatts shall be the Development Participant's Participation Entitlement Percentage times five hundred twenty-five (525) megawatts ("Participation Entitlement"). The Development Participants acknowledge that neither CVP Corp nor SNEPA is guaranteeing any level of performance or output from the Project and that the Power Sales Agreement will provide that each entity executing the Power Sales Agreement will be entitled to a percentage of the actual output of the Project and not a specific number of megawatts of capacity or megawatt hours of energy.

(b) Each Development Participant with 20 MW or more of Participation Entitlement shall appoint one representative to the Development

Committee and shall designate such representative within 10 days after its execution and delivery of this Agreement by giving notice to the Chair of the Development Committee (as defined below) of such designation. Development Participants with less than 20 MW of Participation Entitlement may aggregate their Participation Entitlements and appoint one representative for the total aggregated amount of Participation Entitlement, with a minimum Participation Entitlement of 20 MW. The Chair shall be responsible for distribution of representative information to all Development Committee members. Each Development Participant (or aggregated Development Participants of at least 20 MWs) may also designate an alternate to act as its representative in the absence of the regular representative, and such notice shall be given in the same manner as for the regular representative.

(c) The Development Committee shall be chaired by a representative of CVP Corp (the "Chair") and while the Chair may participate, he/she will have no voting rights on the Development Committee. The Chair shall be responsible for calling and presiding over all regular and special meetings of the Development Committee and shall cause minutes of all meetings of the Development Committee to be kept. Such records shall be available upon request by any Development Participant.

Section 4.2 Meeting Schedules. Due to the expected short time frame for the acquisition of the Project by CVP Corp, no specific meeting schedules shall be established for the Development Committee. The Development Committee will meet on an as needed basis in order for the Development Work to proceed on the expected timeframe. The Development Committee may meet in any location and may hold meetings in person or via conference call as necessary.

Section 4.3 Quorum Defined. The presence of either a majority of the representatives of the Development Committee, or of Development Committee representatives then having a combined Participation Entitlement Percentage of at least 65% shall constitute a quorum for the purpose of Development Committee action.

Section 4.4 Voting Rights. Voting by representatives of Development Participants will be by Participation Entitlement Percentage with 65% or more affirmative vote necessary to carry the action.

Any decision related to the Development Work taken by the affirmative vote of representatives of Development Participants holding less than 65% of Participation Entitlement Percentage can be reviewed and revised if a Development Participant holding any Participation Entitlement Percentage gives notice of intention to seek such review and revision to each other Development Participant within 48 hours after receiving written notice of such action. If such notice of intention is so given, any action taken specified in the notice shall be nullified, unless Development Committee representatives holding at least 65% of the total Participation Entitlement Percentage vote in favor thereof at a regular or specially called meeting of the Development Committee. If the notice of intention concerned a failure to act, such action shall nevertheless be taken if the Development Committee representatives holding at least

65% of the total Participation Entitlement Percentage vote in favor thereof at a regular or specially called meeting of the Development Committee.

Section 5. Powers, Duties and Responsibilities of the Development Committee. The Development Committee shall monitor the continuation of the Development Work, make the information and documents produced by the Development Work available to the Development Participants, provide a liaison among the Development Participants and CVP Corp with respect to Development Work, and make such recommendations to CVP Corp with respect to the Development Work Budget as the Development Committee deems advisable, including recommendations on the form of all Project agreements included in the Development Work and on any other activities deemed necessary or desirable to complete Development Work and to otherwise accomplish the purposes of this Agreement.

Section 6. Financial Commitments. As set forth in Exhibit B hereto, the Development Work Budget is \$1,575,000. Each Development Participant agrees, by executing this Agreement, to a financial commitment hereunder for its respective Participation Entitlement Percentage of a total of \$1,575,000 in accordance with Section 7 through Section 7.2. The Development Participants acknowledge that the Participation Entitlement Percentages are subject to automatic adjustment pursuant to Section 12 and to adjustments based on the decisions of the affected Development Participant pursuant to Section 13. No Development Participant has any obligation hereunder to fund a Development Work Budget increase but each Development Participant acknowledges that a failure to fund its Participation Entitlement Percentage of any such increase may result in a reduction of its Participation Entitlement Percentage by virtue of the funding of the increase not paid by such Development Participant by another Development Participant or other entity in accordance with Section 13.

The Development Work Budget may be increased from time to time by CVP Corp but only after the Development Committee has been given an opportunity to review and make a recommendation with respect to each such increase. Upon approval of a Development Work Budget increase by CVP Corp, each Development Participant shall, within 30 days of receiving notice of such increase, either pay its Participation Entitlement Percentage of such increase or notify CVP Corp of its determination not to make such a payment. Failure by a Development Participant to pay its Participation Entitlement Percentage of any increase in the Development Work Budget within the time provided in this Section 6 will constitute notice by such Development Participant of its determination not to make such payment.

Section 7. Cash Advances, Invoicing and Working Capital Fund. Each Development Participant hereby agrees to pay or advance to CVP Corp \$3,000 per MW of requested participation in the Project as set forth on the Development Participant's Signature Page to this Agreement. Upon execution of this Agreement, 50% of this total amount (e.g. 25 MW x \$3,000 x 50%) shall become due and payable to CVP Corp within 10 business days of receipt of an invoice and the remainder (the "Balance Due")

shall be paid in accordance with Section 7.1. All such advances shall be deposited in the Working Capital Fund described in Section 7.2 of this Agreement.

The above \$3,000 per MW of participation may be increased by CVP Corp to no more than \$3,750 per MW if less than 500 MW of the Project Participation is subscribed to by Development Participants.

Section 7.1 Payment of Invoices. (a) CVP Corp shall make demands for payment of the unpaid Balance Due from each Development Participant in accordance with subsection (b) of this Section 7.1 by sending an invoice for the amount then due. Payments shall be made to CVP Corp at their corporate headquarters, 180 Cirby Way, Roseville, CA 95678. Any part of such invoice which remains unpaid for twenty days after its billing date shall bear interest from such twentieth day at the reference rate of the Bank of America, N.A. then in effect, plus two percent, computed on a daily basis, until paid. Interest so earned shall not change any Development Participant's Participation Entitlement Percentage and shall be deposited in the Working Capital Fund.

(b) CVP Corp may fix and schedule the payment of the Balance Due of each Development Participant into any number of payments (but not less than two nor more than three), and the dates on which such payments will be made (which shall be no later than six months after the effective date of this Agreement), and each Development Participant agrees to make such payments as provided in subsection (a) of this Section 7.1. Each Development Participant shall have the right to prepay its unpaid Balance Due by giving CVP Corp not less than ten days notice of such prepayment.

(c) Except with respect to a refusal to pay increases in the Development Work Budget made in strict conformity with Section 6, no Development Participant may avoid the obligation to pay amounts due from it under this Agreement for any reason, including any reduction in its Participation Entitlement Percentage, and such obligation shall be unconditional and not subject of setoff or other reduction; provided, however, that each Development Participant is obligated to make all such payments only from the applicable utility revenues or reserves or, in the case of a Development Participant which is a joint powers agency or other form of entity, from unencumbered funds legally available for such purpose.

Section 7.2 Working Capital Fund. All funds advanced by the Development Participants pursuant to this Agreement shall be deposited in the Resource 500 Working Capital Fund (the "Working Capital Fund") which shall be held by CVP Corp. Amounts in the Working Capital Fund shall be applied by CVP Corp towards the cost of Development Work under this Agreement and, except as provided in Section 9, not for any other purpose. A periodic reporting of expenditures, activities and balance of the Working Capital Fund shall be provided to the Development Committee by CVP Corp.

Section 8. Limited Rights to Enter Into Power Sales Agreement.

Section 8.1 Discretion – Development Participants' Option to Acquire Project Capacity and Energy. In consideration of the payments provided for in Section 7 of this Agreement, each Development Participant which is not then in default hereunder shall have an exclusive option to enter into a Power Sales Agreement for all or any portion of its Participation Entitlement Percentage of Project capacity and energy, which right shall be subject to CVP Corp acquiring title to the Project.

Section 8.2 Increase in Purchases. A Development Participant executing and delivering a Power Sales Agreement in accordance with Section 8.3 can, pursuant to a supplement to its Power Sales Agreement, purchase more than its Participation Entitlement Percentage of the capacity and energy of the Project if additional capacity and energy are made available by reason of the nondelivery of an executed Power Sales Agreement by one or more Development Participants or the execution and delivery of the Power Sales Agreement by one or more Development Participants for less than the full Participation Entitlement Percentages of such Development Participants. Such available capacity and energy shall first be offered on a pro rata basis to those Development Participants which have delivered executed Power Sales Agreement for all of their Participation Entitlement Percentages. If Development Participants so entitled do not wish to contract for all the available capacity and energy of the Project, the remaining available capacity and energy shall be disposed of as determined by CVP Corp after consideration of any timely recommendations received from the Development Committee.

Section 8.3 Effect of Taking Less Than Full Participation Entitlement Percentage. (a) CVP Corp shall establish the terms and provisions of the Power Sales Agreement for rights to capacity and energy from the Project as part of the Development Work. CVP Corp shall also establish the date by which the Power Sales Agreement must be executed by Development Participants and delivered to CVP Corp if they are to participate in the Project. Such date shall not be less than 30 days after delivery of the Power Sales Agreement in final form (except for the shares of Project capacity and energy to be taken by each entity executing the Power Sales Agreement). To be effective, the delivery of an executed counterpart of the Power Sales Agreement must be accompanied by an opinion of counsel acceptable to CVP Corp as to the validity and binding effect on the Development Participant of the Power Sales Agreement and in the form attached to the Power Sales Agreement.

(b) Failure by a Development Participant to execute and deliver the Power Sales Agreement for any of its Participation Entitlement Percentage pursuant to Section 8.3(a) will be an irrevocable decision on the part of that Development Participant not to exercise the rights given to such Development Participant in Section 8 hereof to acquire rights to the capacity and energy of the Project through the Power Sales Agreement. Execution and delivery of the Power Sales Agreement pursuant to Section 8.3(a) by a Development Participant for less than its total Participation Entitlement Percentage will be an irrevocable decision on the part of that Development

Participant not to participate in the Project in excess of the percentage of Project capacity and energy set forth in its delivered Power Sales Agreement.

(c) CVP Corp will attempt to enter into supplements to the executed Power Sales Agreements or to enter into other agreements for the Project capacity and energy not covered by executed Power Sales Agreements, subject to the allocation of such capacity and energy as set forth in Section 8.2. The procedure for processing supplements to executed Power Sales Agreements shall be consistent with those prescribed immediately above in this Section 8.3 with respect to the original Power Sales Agreements. Failure to return an executed supplement to an executed Power Sales Agreement for any additional Project capacity and energy within the prescribed period is an irrevocable decision not to purchase such additional capacity and energy.

Section 9. Conditional Repayment to Participants. All payments and advances made heretofore, and those hereafter made pursuant to Sections 1 and 7 of this Agreement, excluding interest paid on delinquent payments, shall be repaid to each of the Development Participants or entities specified in Section 1 out of the proceeds of the first issuance of the Project bonds, notes or other evidences of indebtedness issued to provide permanent (and not interim) financing for the Project ("Bonds") which can provide therefore after providing for all of the purchase price of the Project, all requirements of the proceedings and documents relating to the issuance of the Bonds and the purchase of the Project by CVP Corp, and all amounts deemed necessary by CVP Corp for the initial operation of the Project, including working capital, reserves and provisions for fuel for the Project. Such reimbursements shall be made within 60 days following the sale of any Project Bonds satisfying the conditions of the immediately preceding sentence and shall include interest computed monthly at a rate equivalent to the end of the month reference rate of the Bank of America, N.A. Any interest due under Section 7 of this Agreement and unpaid shall be deducted from the repayment. If CVP Corp determines to purchase the Project, but is not successful in closing the purchase, including without limitation the failure to obtain financing therefore, there shall be no reimbursement except out of any moneys remaining in the Working Capital Fund which shall be applied pro rata based on cash advances by the Development Participants and the other entities specified in Section 1(a).

Section 10. Term. This Agreement shall take effect as of December 15, 2005, but only if Development Participants holding 400 MWs or more of Participation Entitlements in the Project have delivered executed counterparts of this Agreement to CVP Corp by such date. If Development Participants holding 400 MWs or more of Participation Entitlements in the Project have not delivered executed counterparts of this Agreement to CVP Corp by such date, CVP Corp may establish a later date for the delivery of the required executed counterparts of this Agreement, but not later than July 1, 2006, to permit CVP Corp to obtain counterparts of this Agreement executed by Development Participants holding 400 MWs or more of Participation Entitlements. This Agreement shall be superseded by the Power Sales Agreement, except that section 9 of this Agreement shall remain in effect until such obligations have been fully performed. Changes may be made in this Section 10, except as to the continued effectiveness of

Section 9, with the approval of CVP Corp and all Development Participants which have executed this Agreement. Notwithstanding the foregoing, CVP Corp shall have the right, in its sole discretion, to terminate this Agreement at any time, in which case, any funds remaining in the Working Capital Fund, after payment of any outstanding liabilities for expenses authorized under this Agreement shall be reimbursed in accordance with Section 9.

Section 11. Assignment by CVP Corp. CVP Corp retains the right to assign this Agreement and any other Project related agreements to SNEPA. Development Participants hereby consent to such assignment and upon notification in writing by CVP Corp, each such Development Participant will make all payments under this Agreement directly to the assignee.

If CVP Corp makes an assignment pursuant to this section, it shall transfer all of its rights and duties under this Agreement to SNEPA, however the rights and duties of the Development Participants shall remain the same as provided in this Agreement. Upon such assignment, duties under this Agreement relating to CVP Corp shall be transferred to SNEPA provided SNEPA executes an assignment of this Agreement agreeing to be bound hereby.

Section 12. Failure to Make Payments; Adjustment of Participation Entitlement Percentages. Upon failure of any Development Participant to make any payment under this Agreement the Participation Entitlement Percentage of each non-defaulting Development Participant shall be automatically increased pro rata with that of the other non-defaulting Development Participants by the amount of advances remaining to be paid by the defaulting Development Participant, and the defaulting Development Participant's Percentage Participation shall (but only for purposes of computing the respective Participation Entitlement Percentage of the non-defaulting Development Participant) be reduced correspondingly; provided that the sum of all such increases for any non-defaulting Development Participant shall not exceed without written consent of such non-defaulting Development Participant an accumulated maximum of 25% of the non-defaulting Development Participant's original Participation Entitlement Percentage.

If the Development Participant fails or refuses to pay any amounts due to CVP Corp, the fact that other Development Participants increase their obligations to make such payments shall not relieve the defaulting Development Participant of its liability for such payments and any Development Participant increasing such obligation shall have a right of recovery from the defaulting Development Participant to the extent of such respective increase.

Section 13. Nonparticipation in Development Work Budget Increases. If at any time following the execution of this Agreement, there is an increase in the Development Work Budget, each Development Participant may refuse to pay its Participation Entitlement Percentage of such increase and reduce its Participation Entitlement Percentage in the Project. Such refusal shall not affect any obligations of such Development Participant therefore made or thereafter made under this Agreement. To effect such refusal, the Development Participant shall give CVP Corp written notice of

such refusal to fund within thirty (30) days of the receipt of the notice by them of the increase of the Development Work Budget. In the event of a refusal of one or more Development Participants to fund their share of an increase in the Development Work Budget, CVP Corp shall convene a meeting of the Development Committee as soon as possible to discuss the potential assumption by the other Development Participants of the available Participation Entitlement.

Section 14. Miscellaneous.

(a) The headings of the various Sections of this Agreement are for convenience only and do not constitute a part of this Agreement.

(b) This Agreement shall be governed by and construed in accordance with the laws of the State of California with respect to contracts executed and to be performed in said State.

(c) This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and supersedes all other understanding and agreements, whether written or oral, of the parties with respect to the subject matter hereof.

(d) If any provision of this Agreement, or its application to a set of circumstances, shall be held illegal or unenforceable by a court of competent jurisdiction, then such provision (or its application to such circumstances) shall be considered severed from this Agreement and the remaining provisions of this Agreement, and the application of this Agreement to other circumstances, shall not be affected thereby.

(e) References herein to Sections shall be to the particular Sections of this Agreement unless otherwise expressly indicated or indicated by the context in which such reference is made.

(f) This Agreement may be executed by the parties in any number of counterparts but all such counterparts shall constitute but one and the same agreement among the parties.

IN WITNESS WHEREOF, each Development Participant has caused this Agreement to be executed by one of its duly authorized officers in accordance with the authorization of its governing body, and CVP Corp has caused this Agreement to be executed by the Chairman of its Board of Directors in accordance with the authorization of its Board of Directors.

CENTRAL VALLEY PROJECT
CORPORATION

By: _____
Chairman, Board of Directors

NAME OF DEVELOPMENT PARTICIPANT

City of Lodi

Participation Entitlement Percentage: 4.7%

Number of Megawatts: 25 MW

By: _____
Blair King

Title: _____
City Manager

APPROVED AS TO FORM:

D. Stephen Schwabauer, City Attorney

ATTEST:

Susan Blackston, City Clerk

EXHIBIT A
CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

THIS CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT ("Agreement") is entered into as of _____ by and between **CENTRAL VALLEY PROJECT CORPORATION**, a California Nonprofit Public Benefit Corporation, with its principal executive offices at 180 Cirby Way Roseville, California 95678-6420 ("CVP Corporation") and the undersigned ("PARTICIPANT"), referred to collectively as "Parties" and individually as "Party."

RECITALS

- A. CVP Corporation has the opportunity to purchase from a confidential seller ("Seller") a 500 MW gas-fired power plant in Northern California, together with related facilities and equipment, commonly referred to as the Resource 500 Project (the "Project");
- B. The Participant has indicated a preliminary interest in possibly acquiring capacity and energy of the Project from CVP Corporation, subject to the closing of the sale of the Project to CVP Corporation;
- C. The Parties desire to exchange certain proprietary or confidential information for the purpose of discussion of the Project (the "Proposed Transaction"); and
- B. The Parties are willing to provide such information for such purpose in accordance with the terms hereof.

NOW, THEREFORE, the Parties do hereby mutually agree as follows:

- 1. Definitions.
 - a. "Confidential Information" shall mean all confidential or proprietary written, recorded, electronic or oral information or data (including without limitation research, developmental, engineering, manufacturing, technical, marketing, sales, financial, operating, performance, cost, business and process information or data, trade secrets, discoveries, ideas, designs, data, source code, object code, processes, computer programs, developments, flow diagrams, know-how, and computer programming and other software and software techniques) provided (whether such confidentiality or proprietary status is indicated orally or, whether or not the specific words "confidential" or "proprietary" are used) to a Party (the "Receiving Party") by a Party (the "Disclosing Party") in the course of the exchange of such information or data among the Parties. Notwithstanding the foregoing, any such foregoing confidential or proprietary information of Seller, including the identity of Seller, if authorized to be disclosed to a Party, shall constitute Confidential Information hereunder, whether or not Seller is joined as a Party hereto. Without limiting the aforesaid, the existence of discussions between the Parties regarding the Proposed Transaction shall constitute Confidential Information hereunder.
 - b. "PARTICIPANT" shall include any of PARTICIPANT'S subsidiaries or affiliates.

- c. “CVP CORPORATION” shall include any of CVP Corporation’s subsidiaries or affiliates.
 - d. “Person” shall be broadly interpreted to include, without limitation, any corporation, company, partnership, other entity or individual.
 - e. “Representatives” shall mean as to any Person, its directors, officers, employees, agents and advisors (including, without limitation, financial advisors, attorneys and accountants).
2. Confidentiality and Non-Use. In consideration of each Party's providing Confidential Information, the Parties agree as follows:
- a. The Receiving Party shall hold confidential and not disclose to any Person, without the prior written consent of the Disclosing Party, all Confidential Information and any information about the Proposed Transaction, or the terms or conditions or any other facts relating thereto, including, without limitation, the fact that discussions are taking place with respect thereto or the status thereof, or the fact that Confidential Information has been made available to the Receiving Party or its Representatives; provided, however, that the Receiving Party may disclose such Confidential Information to its Representatives who are actively and directly participating in its evaluation of the Proposed Transaction or who otherwise need to know the Confidential Information for the purpose of evaluating the Proposed Transaction;
 - b. The Receiving Party shall cause all its Representatives to observe the terms of this Agreement and shall be responsible for any breach of the terms of this Agreement by it or its Representatives; and
 - c. The Receiving Party shall return or destroy all Confidential Information (including all copies thereof) within 30 days of receipt of a written request therefor.

In addition to the foregoing, the Receiving Party will not use the Confidential Information (a) in any way detrimental to the Disclosing Party’s shareholders or members or (b) for any purpose other than in connection with the Proposed Transaction.

3. Exceptions to the Confidentiality and Non-Use Obligations. The obligations imposed by Section 2 hereof shall not apply, or shall cease to apply, to any Confidential Information if or when, but only to the extent that, such Confidential Information:
- a. was known to the Receiving Party prior to the receipt of the Confidential Information; or
 - b. was, or becomes through no breach of the Receiving Party's obligations hereunder, known to the public; or
 - c. becomes known to the Receiving Party from sources other than the Disclosing Party under circumstances not involving any breach of any confidentiality obligation; or
 - d. is independently developed by the Receiving Party, as evidenced by the written records thereof.

It shall not be a breach of the confidentiality obligations hereof for a Receiving Party to disclose

Confidential Information where, but only to the extent that, such disclosure is required by law or applicable legal process, provided in such case the Receiving Party shall (i) give the earliest notice possible to the Disclosing Party that such disclosure is or may be required and (ii) cooperate in protecting such confidential or proprietary nature of the Confidential Information which must so be disclosed.

4. No Further Agreements Hereunder. No Party nor any parent, subsidiary or affiliate thereof, shall be under any obligation to enter into any further agreements with the any signatory hereto or its parents, subsidiaries or affiliates of any nature whatsoever as a result of this Agreement. The Parties shall be free at all times to hold negotiations or enter into agreements with any other persons whatsoever (including with respect to projects under discussion by the Parties hereto) in addition to or in lieu of the discussions hereunder and any such activities shall not be a breach of this Agreement or any obligations owed to the other Party hereunder. Each Party hereto reserves the right, in its sole discretion, to decline and make, to retract or to reject at any time any proposal which has not yet become legally binding by execution of a written agreement between the Parties with respect thereto or with respect to any further agreements or business arrangements with the other Party hereto, its parents, subsidiaries or affiliates and to terminate all further discussions and negotiations.
5. No Representations and Warranties. Each of the Parties make no representation or warranties, express or implied, of any kind to the other Party with respect to the Confidential Information, including without limitation with respect to the accuracy or completeness thereof. Any representations or warranties shall be made thereby, if at all, only in definitive written agreements that may be entered into hereafter.
6. Termination; Duration of Obligations. Unless sooner terminated by mutual written agreement of the Parties, this Agreement and the obligations hereunder shall terminate on December 31, 2008.
7. Entire Agreement. This Agreement represents the entire understanding and agreement of the Parties relating to the subject matter hereof and supersedes all prior communications, agreements and understandings between the Parties relating to the subject matter hereof.
8. Waivers; Amendments; Assignment; Counterparts. This Agreement may not be modified, amended or waived except by a written instrument duly executed by the Parties. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder. CVP Corporation retains the right to assign this Agreement and any other Project related agreements to Sierra Nevada Electric Power Authority ("SNEPA"). Participant hereby consents to such assignment by CVP Corporation. If CVP Corporation makes an assignment pursuant to this section, it shall transfer all of its rights and duties under this Agreement to SNEPA, however the rights and duties of the Participant shall remain the same as provided in this Agreement. Upon such assignment, duties under this Agreement relating to CVP Corporation shall be transferred to SNEPA. Seller may join as party to this Agreement by executing a counterpart signature page hereto and upon such joinder be deemed a Party hereto. Notwithstanding such joinder, Seller shall be considered a third party beneficiary of this Agreement. Except as provided herein, this Agreement may not be assigned by any Party without the prior written consent of the other Parties and shall be binding on, and inure to the benefit of, the respective successors and permitted assigns of the Parties. This Agreement may be signed in two or more counterpart originals, each of which shall constitute an original document.
9. Governing Law; Disputes. This Agreement is made subject to and shall be construed

under the laws of the State of California, without giving effect to its principles or rules regarding conflicts of laws, and that the state and federal courts situated in the State of California shall have exclusive jurisdiction to resolve any disputes with respect to this Agreement or the Confidential Information with each Party irrevocably consenting to the jurisdiction thereof for any actions, suits or proceedings arising out of or relating to this Agreement or the Confidential Information, and each Party irrevocably waives its rights to jury trials with respect thereto. In the event of any litigation hereunder, the prevailing Party shall be entitled to costs and reasonable attorney's fees.

10. Remedies. Without prejudice to the rights and remedies otherwise available to any Party, each Party shall be entitled to equitable relief by way of injunction or otherwise if the Receiving Party or any of its Representatives breach or threaten to breach any of the provisions of this Agreement and the Receiving Party shall not plead in defense thereto that there would be an adequate remedy at law.
11. Non-Publicity. All media releases, public announcements and other disclosures by any Party relating to this Agreement or the subject matter hereof, including promotional or marketing material, but excluding announcements intended solely for internal distribution or to meet legal or regulatory requirements, shall be coordinated with and approved by the other Party prior to release. In addition, the Receiving Party shall refrain from removing, overprinting or defacing any notices of copyright, trademark, bgo or other proprietary identifications or notices of confidentiality from any originals or copies of the Disclosing Party's Confidential Information.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by their respective authorized representatives as of the date first written above.

PARTICIPANT

**CENTRAL VALLEY PROJECT
CORPORATION**

By: _____
Name: Blair King
Title: City Manager
Date: December 22, 2005

By: _____
Name: _____
Title: _____
Date: _____

APPROVED AS TO FORM:

D. Stephen Schwabauer, City Attorney

ATTEST:

Susan Blackston, City Clerk

EXHIBIT B

DEVELOPMENT WORK DRAFT BUDGET *

Due Diligence Work	\$300,000
Drafting of Formal Offer and Purchase Agreements	775,000
Development of Internal Project Agreements	300,000
Contingency at 15%	<u>200,000</u>
Total Development Work Budget	<u>\$1,575,000</u>

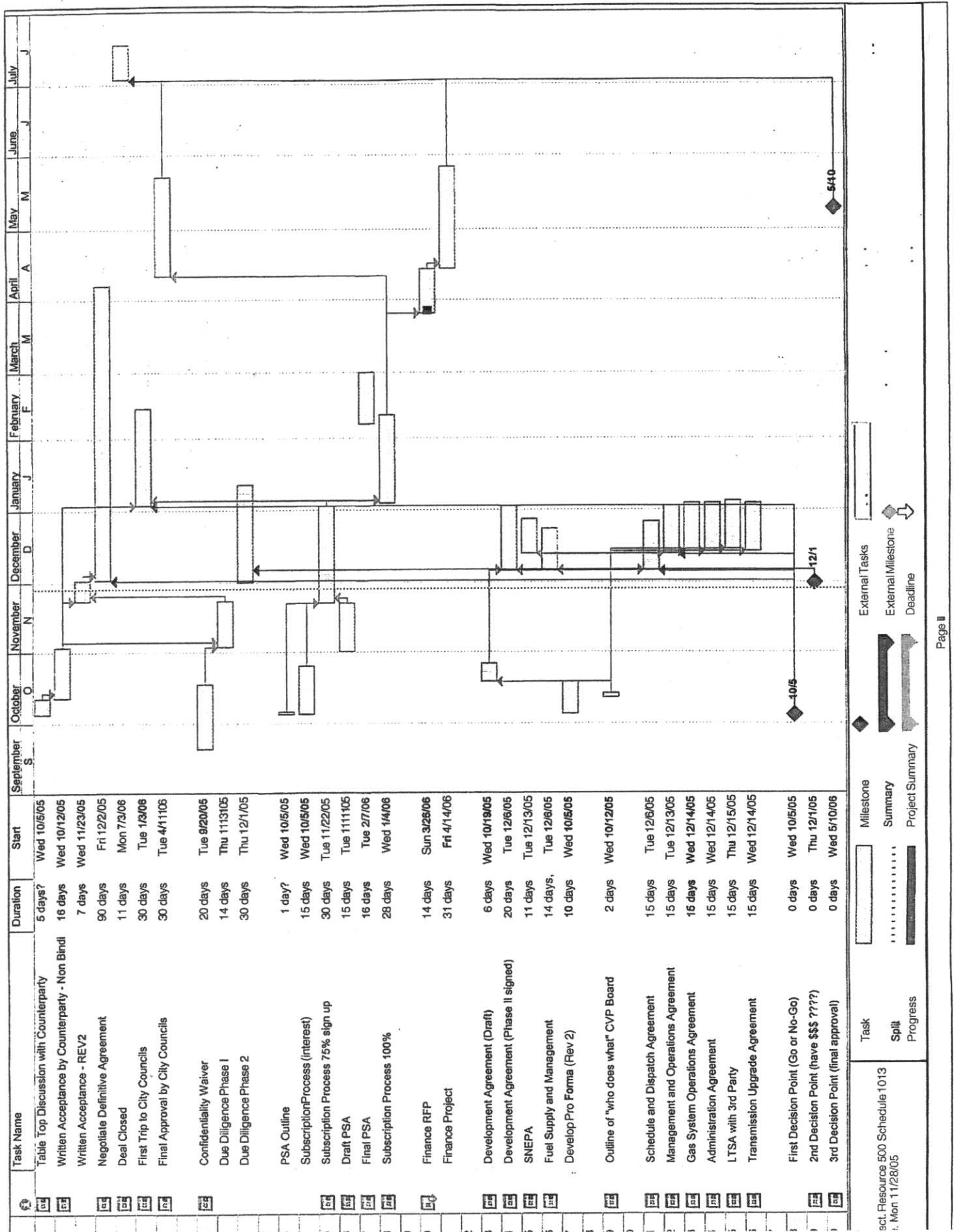
Note: Line items shown above are for illustrative purposes only. Transfer of funds between line items may occur as necessary for completion of the project.

* This draft budget does not include costs related to obtaining financing for this project which are expected to be paid from proceeds of the Project Bonds.

EXHIBIT C

Development Work Schedule and Milestones

EXHIBIT C - Development Work Schedule and Milestones



RESOLUTION NO. 2005-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY
MANAGER OR HIS DESIGNEE TO EXECUTE A PROJECT DEVELOPMENT
AGREEMENT TO FUND DUE DILIGENCE ASSESSMENTS ASSOCIATED WITH
THE RESOURCE 500 GENERATION PROJECT

WHEREAS, the Central Valley Project Corporation (CVP Corp) is a non-profit corporation, incorporated in 2003, primarily to support programs and projects that benefit CVP customers and maximize the value of the Central Valley Project power Contracts. The CVP board currently consists of representatives from NCPA, SMUD and the City of Redding; and

WHEREAS, CVP Corp is in final negotiations to purchase a 500 MW gas fired, combined cycle power plant located in Northern California, which has been built with the latest technology and was constructed only five years ago; and

WHEREAS, this plant has an excellent heat rate (approximately 7000), which is the primary measure of plant efficiency, and preliminary due diligence indicates that the expected price of power from the plant will be very competitive with other options available in today's energy market in California; and

WHEREAS, CVP Corp is offering to public power entities an opportunity to participate in the ownership of the plant through firm purchase power agreements and has provided summary materials to interested parties to determine if this project would be an appropriate addition to their resource portfolios; and

WHEREAS, upon reviewing the materials and consideration of the current power needs of Lodi Electric, staff has concluded that this proposed project fits well into its electric resource portfolio, as this plant will provide diversity of location and its efficiency will provide the City of Lodi with a resource that is more economic than building a substantially smaller plant locally or contracting with for-profit marketers for a similar type product.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager or his designee to execute a Project Development Agreement to fund due diligence assessments associated with the Resource 500 generation project in an amount not to exceed \$61,875.

Dated: December 21, 2005

I hereby certify that Resolution No. 2005-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 21, 2005, by the following vote:

AYES: COUNCIL MEMBERS –
NOES: COUNCIL MEMBERS –
ABSENT: COUNCIL MEMBERS –
ABSTAIN: COUNCIL MEMBERS –

SUSAN J. BLACKSTON
City Clerk

Adopt Resolution to Execute Project Development Agreement for Resource 500 Project

City Council Meeting
December 21, 2005





Overview

- **Action Tonight** – Council is requested to adopt a resolution authorizing the City Manager or his designee to execute the Resource 500 Project Development Agreement with the Central Valley Project Corporation.



Basis for Request

- Lodi has a need for 30 average megawatts of capacity
- Participation in this project addresses that need
 - Immediacy
 - Diversifies portfolio
 - Allows for future participation in White Slough
 - Economical



Supply Sources

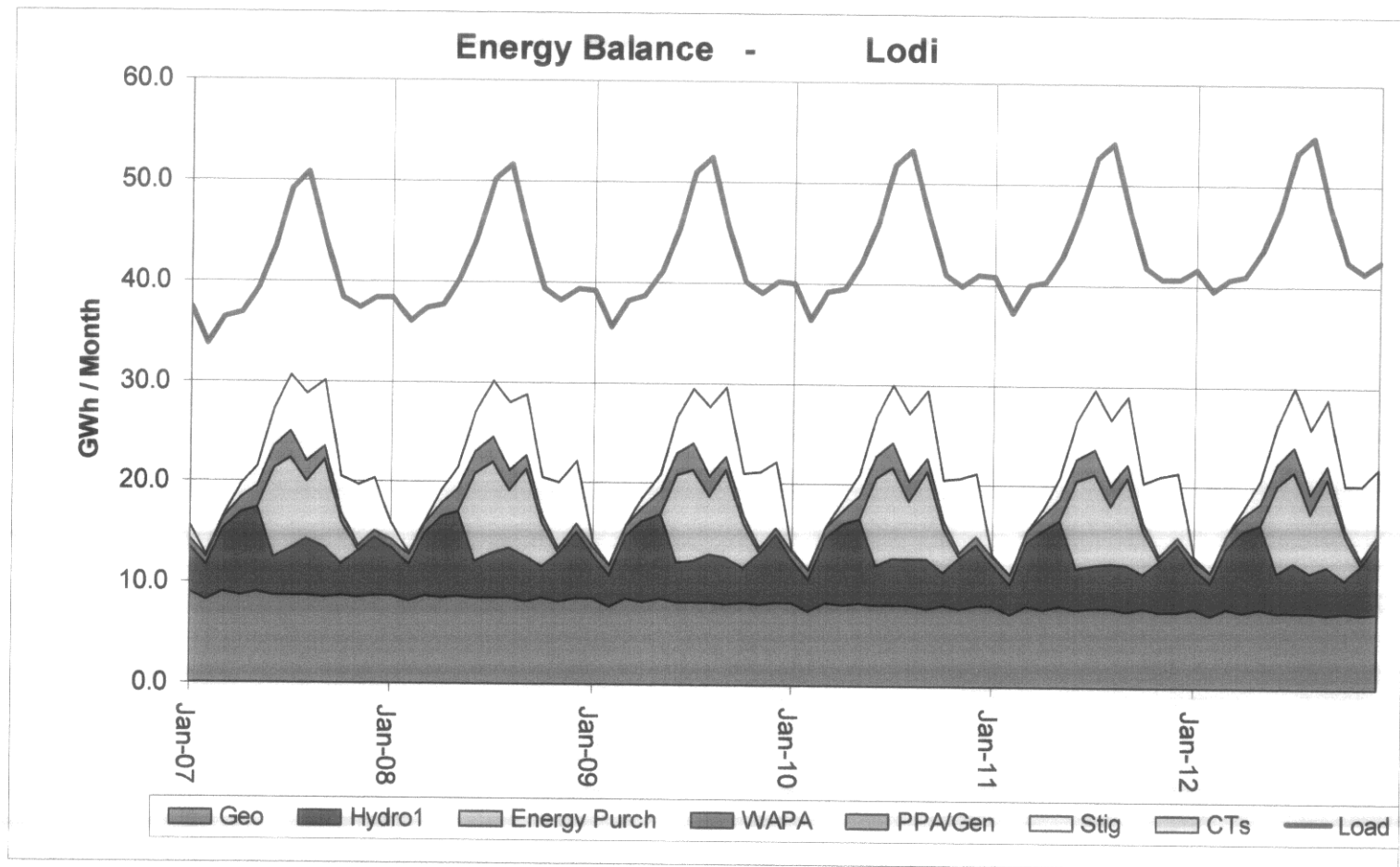
Lodi

Supply Sources - GWH

Sum of Value	Year						
Child Name	2007	2008	2009	2010	2011	2012	2013
CT1_AL1							
CT1_AL2							
CT1_LD							
CT1_RO1			0.0			0.0	
CT1_RO2			0.0			0.0	
STIG	42.6	44.2	44.2	44.2	44.1	44.2	44.2
Geo	105.0	102.2	98.9	96.0	93.1	91.1	88.4
Collierville Gen	60.9	61.1	60.9	60.9	60.9	61.1	60.9
NSM Gen	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Western BR	16.4	16.4	16.4	16.4	16.4	16.4	16.4
SCL_Supply	36.6	36.6	36.6	36.6	36.6	36.6	36.6
Grand Total	285.1	262.3	258.9	255.9	252.9	251.2	248.4



Energy Balances





Option and Need Summary

Need Summary

Physical and Green Energy Need Summary				aMW				
		2007	2008	2009	2010	2011	2012	2013
Lodi	Green	0	0	0	0	0	0	0
	Physical	30.9	32.5	33.8	35.4	35.9	37.3	38.3

Green = Renewable energy needed to get to 20% of Fcstd Enr Ld
Physical = Annual energy need net of surplus and need, expressed as an average MW

Option Summary

	Timing	Fuel	Ht Rt	Size (MW)	Behind Ld Meter	Control System
Resource 500	2006	Natural Gas	7,000	500	No	WAPA
Lodi Unit #2	2009	Natural Gas	7,000	200	Possible	WAPA / ISO
NCPA Green Power Project	2006+	Renewable	NA	1 - 150	May Vary	May Vary
Los Esteros	2006	Natural Gas	10,000	90	Possible	ISO
Los Esteros (Converted)	2009	Natural Gas	8000	150	Possible	ISO



Energy Balance

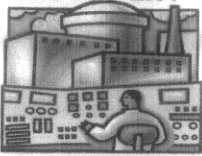
Net Energy Balance Summary

2008	Q1	Q2	Q3	Q4
HLH - aMW	-43.36	-24.98	-23.94	-29.34
LLH - aMW	-44.44	-26.90	-31.27	-35.91
Pk - MW	3.93	1.60	-8.10	9.90
2010	Q1	Q2	Q3	Q4
HLH - aMW	-47.94	-28.14	-25.83	-31.48
LLH - aMW	-46.98	-29.85	-34.29	-38.61
Pk - MW	-1.00	-6.33	-13.83	5.03
2012	Q1	Q2	Q3	Q4
HLH - aMW	-49.76	-30.30	-30.04	-33.54
LLH - aMW	-48.68	-31.82	-34.74	-39.76
Pk - MW	-5.70	-10.73	-17.07	0.37

Cost of Transmission	
LV -	\$2.91
HV -	\$2.16
Congestion -	\$1.50
WAPA -	\$1.90
Losses -	\$(0.7)
LM6000 2x0-	\$128.8
LM6000 2x1-	\$ 88.2

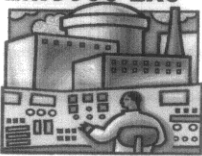
Bus Bar Cost @ \$7.50/mmbtu gas

LM6000 2x1



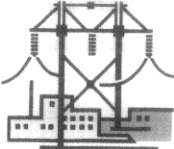
Total Bus Bar Cost \$81.0/mwhr

LM6000 2x0




Total Bus Bar Cost \$121.6/mwhr

Behind the Meter Savings of Small Local Plant \$/mwhr



LV -	\$0.00
HV -	\$0.00
Congestion -	\$0.00
Losses -	\$(0.8)
LM6000 2x1	\$80.2
LM6000 2x0	\$120.8

Resource Adequacy Risk @ Both \$1-\$5/kw-mo



LM6000 2x1 @ \$1 - \$78.9
 LM6000 2x1 @ \$5 - \$73.9
 LM6000 2x0 @ \$1 - \$119.9
 LM6000 2x0 @ \$5 - \$98.01


Highest Cost Choice!

Western Customers

Redding
 Roseville
 Turlock


Least Cost Choice!

New Lodi



Total Bus Bar Cost \$65.2/mwhr

Frame 2x1



Total Bus Bar Cost \$63.9/mwhr

Cost of Transmission	
LV -	\$2.91
HV -	\$2.16
Congestion -	\$1.50
WAPA -	\$0.00
Losses -	\$(0.7)
New Lodi -	\$72.4

Cost of Transmission	
LV -	\$2.91
HV -	\$2.16
Congestion -	\$1.50
WAPA -	\$1.90
Losses -	\$(0.7)
Frame 2x1-	\$73.1

Highest Cost Choice!

Least Cost Choice!

NP15 Customers

Alameda
 BART
 Biggs
 Gridley
 Healsburg
 Lassen
 Lodi
 Lompoc
 Palo Alto
 Placer CWD
 Plumas Sierra
 Port of Oakland
 Santa Clara
 Truckee-Donner
 Ukiah



Council Action

- Recommend approval of PDA at 15 MW level
- Cost of \$56,250
- PDA
 - Allows for detailed due diligence on the project
 - Negotiations with the seller
 - Preparation of project agreements



Timeline/Next Steps

- Negotiations estimated at 4 months
 - Final decision to participate needed at that time
 - Participation will require execution of a long term Power Sales Agreement
 - Council approval of PSA's needed Q1 of 2006
 - PSA's will form basis for obtaining funding for project
 - Project availability estimated as June 2006

Questions



RESOLUTION NO. 2005-265

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER
OR HIS DESIGNEE TO EXECUTE A PROJECT DEVELOPMENT AGREEMENT AT
25 MEGAWATT LEVEL TO FUND DUE DILIGENCE ASSESSMENTS ASSOCIATED
WITH THE RESOURCE 500 GENERATION PROJECT

WHEREAS, the Central Valley Project Corporation (CVP Corp) is a non-profit corporation, incorporated in 2003, primarily to support programs and projects that benefit CVP customers and maximize the value of the Central Valley Project power contracts. The CVP board currently consists of representatives from NCPA, SMUD, and the city of Redding; and

WHEREAS, CVP Corp is in final negotiations to purchase a 500 MW gas fired, combined cycle power plant located in Northern California, which has been built with the latest technology and was constructed only five years ago; and

WHEREAS, this plant has an excellent heat rate (approximately 7,000), which is the primary measure of plant efficiency, and preliminary due diligence indicates that the expected price of power from the plant will be very competitive with other options available in today's energy market in California; and

WHEREAS, CVP Corp is offering to public power entities an opportunity to participate in the ownership of the plant through firm purchase power agreements and has provided summary materials to interested parties to determine if this project would be an appropriate addition to their resource portfolios; and

WHEREAS, upon reviewing the materials and consideration of the current power needs of Lodi Electric, staff has concluded that this proposed project fits well into its electric resource portfolio, as this plant will provide diversity of location and its efficiency will provide the City of Lodi with a resource that is more economic than building a substantially smaller plant locally or contracting with for-profit marketers for a similar type product.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager or his designee to execute a Project Development Agreement at 25 megawatt level to fund due diligence assessments associated with the Resource 500 generation project in an amount not to exceed \$102,575.

Dated: December 21, 2005

I hereby certify that Resolution No. 2005-265 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 21, 2005, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Johnson, Mounce,
and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


SUSAN J. BLACKSTON
City Clerk